



# IDAHO

DEPARTMENT OF FINANCE

JAMES E. RISCH  
Governor

GAVIN M. GEE  
Director

June 21, 2006

Mr. [REDACTED]  
Attorney at Law  
[REDACTED]

Re: Request for Opinion Letter

Dear Mr. [REDACTED]:

We received your letter requesting an opinion regarding whether the non-issuer sales of limited partnership interests in [REDACTED] (the Issuer) qualify for exemption from registration under Section 30-14-202(1) of the Idaho Uniform Securities Act 2004 (the Act), and whether the agents involved in the sale of those interests would be required to register.

Your question concerning whether the sale of the limited partnership interests by the individual limited partners is exempt from registration under Section 30-14-202(1) of the Act is somewhat difficult to address without further information specific to each non-issuer transaction. Therefore, we will provide guidance regarding how our Department defines an "isolated transaction". This guidance can then be used to assist your client and others in determining whether this exemption is available in their particular situation.

An "isolated transaction" is interpreted by this Department to mean a non-issuer transaction if it is one of not more than three (3) securities transactions during the prior twelve (12) month period by the person claiming the exemption. Public advertising of the securities being sold is not permitted. While the Act does not define an "isolated transaction", our interpretation is based upon the definition of an "isolated transaction" found in Rule 270.03 under the prior Idaho Securities Act interpreting Idaho Code 30-1435(1)(a). That section provided an exemption for "any isolated transaction".

Because the salesmen involved in the transactions in question are compensated real estate agents, and not agents of the issuer or of a broker-dealer, it appears that these salesmen will fall under the definition of "broker-dealer" as reflected in Section 30-14-102(4) of the Act. Even though the transactions will be infrequent, the language "engaged in the business of effecting transactions in securities" includes any activity in this area. The frequency of the activity is not considered. Since the salesmen will have a place of business in Idaho, the exemptions for broker-dealer registration provided by Section 30-14-401 do not appear to apply. As such, if the

SECURITIES BUREAU

Bureau Chief - Marilyn T. Chastain  
700 West State Street, 2nd Floor, Boise, ID 83702  
Mail To: P.O. Box 83720, Boise ID 83720-0031  
Phone: (208) 332-8004 Fax: (208) 332-8099  
<http://finance.idaho.gov>

Mr. [REDACTED]  
Page 2 of 2  
June 21, 2006

salesmen for the Issuer's securities will be compensated, those salesmen will be required to be registered either as a broker-dealer or an agent of a broker-dealer.

Our opinion is based on the facts as represented by you to this Department. Should the facts or circumstances change, our opinion may change as well.

If you have any further questions, please feel free to contact the undersigned.

Sincerely,

A handwritten signature in cursive script that reads "Patricia R. Highley". The signature is written in black ink and is positioned above the printed name and title.

PATRICIA R. HIGHLEY  
Senior Securities Analyst  
Idaho Department of Finance

[REDACTED]  
[REDACTED]  
[REDACTED]

Patricia Highley  
Idaho Department of Finance  
P.O. Box 83720  
Boise, ID 83720-0031

May 23, 2006

RECEIVED

JUN 09 2006

DEPT. OF FINANCE  
STATE OF IDAHO

Re: Request for Opinion Letter

Dear Ms. Highley:

Enclosed please find a check in the amount of \$50.00, for an opinion letter. This is a follow up to the request made by [REDACTED] for an opinion letter and the opinion letter given to them on March 20, 2006. The additional question to be answered is whether or not sales by the limited partners of their partnership interests in the [REDACTED] are exempt under I.C. 30-14-202(1), and if so can they be sold by a real estate agent, who is not a registered broker dealer, in a compensated sale. Put another way does a real estate agent have to be registered as a broker dealer to sell partnership interests in [REDACTED] if the agent is not otherwise in the business of selling securities.

This opinion is requested because there was a sale of 32.5 shares of an individual member (limited partner), by a real estate agent, and there may be additional members (limited partners) who desire to sell their shares through a real estate agent in the near future. [REDACTED] advised the member not to pay the real estate commission based upon the opinion rendered by the Department of Finance on March 20, 2006.

I have attached copies of the two previous letters I have sent to Mr. Bitner and a list showing the members ( limited and general partners) who own interests in [REDACTED]. As can be seen there are approximately 60 members holding a total of 1600 shares. These shares are not being sold by the issuer and it appears to me that the only other question is whether or not they are isolated sales. I believe the facts show that the members rarely sell their membership interests and usually only when they get too old to keep cattle or want to get out of the cattle grazing business. Any additional questions, if necessary concerning the number of sales by individual members, of their membership interests, could be directed to [REDACTED], who requested the previous opinion on behalf of [REDACTED].

The real estate agent that I represent has sold only one such membership interest in the past other than the one being presently considered and has been approached by one other member about selling his membership interest. The real estate agent in question does not regularly sell these membership interests or any other type of security and as all real estate agents is in the business of selling real estate. He told me overall the sale of membership interests in [REDACTED] would be less than 1% of his real estate business. I believe he has never sold anything else that could be considered a security. I will await your reply. Please call me with any questions.

Yours very truly

  
Ronald George

[REDACTED]  
[REDACTED]  
[REDACTED]  
© 2006 [REDACTED], FAX: 208-332-8099

May 23, 2006

Walt Bitner, Securities Analyst  
Idaho Department of Finance  
P.O. Box 83720  
Boise, ID 83720-0031  
Via Fax 208-332-8099

RECEIVED

JUN 09 2006

DEPT. OF FINANCE  
STATE OF IDAHO

Re: Opinion Letter to [REDACTED] dated March 20, 2006

Dear Mr. Bitner:

I would like to follow up my letter of yesterday to point out the importance of the issue that was put before you by [REDACTED]. I believe the reason [REDACTED] asked for the opinion is that they do not want licensed real estate agents selling the limited partnership interests of their members. The bylaws of the [REDACTED] allow them a first right of refusal for any offer to purchase a member's share. The practice of [REDACTED] is to match any offer made to a member to purchase their interest and I believe they want to chill such sales so as to keep the price as low as possible.

It makes sense to allow real estate agents to sell these partnership interests because from time to time the members of the [REDACTED] want to sell their interests. Such sales would be very isolated in the real estate agent's business. Real estate agents are not in the business of selling securities, but in isolated instances such as these they sell not the actual real estate but an entity that owns the real estate or has an interest in real estate. It seems to me that if a real estate agent does not regularly sell securities and if a particular potential sale would be exempt from registration because it is an isolated sale that there is good reason to allow such listings and sales.

Yours very truly

[REDACTED]  
[REDACTED]

[REDACTED]

① [REDACTED]

May 22, 2006

Walt Bitner, Securities Analyst  
Idaho Department of Finance  
P.O. Box 83720  
Boise, ID 83720-0031  
Via Fax 208-332-8099

RECEIVED

JUN 09 2006

DEPT. OF FINANCE  
STATE OF IDAHO

Re: Opinion Letter to [REDACTED] dated March 20, 2006

Dear Mr. Bitner:

This letter is a followup to our telephone conversation of this date. As we discussed your opinion letter did not contain an analysis concerning whether or not a sale of a limited partner's own interest in the [REDACTED] by a real estate agent would be a violation. Specifically the question is whether or not such sale is an Exempt Transaction pursuant to I.C. 30-14-202(1), and if so could this interest be sold by a real estate broker without having to register as a broker dealer.

In this regard I note I.C. 30-14-102(4), defines a dealer-broker as a person engaged in the business of effecting transactions in securities. Since this follows the definition under Federal Law, Federal Cases ought to provide a basis to define a broker-dealer. Under Federal Law it is clear that in order to be required to register one must be in the business of selling securities. Under Federal Law one is not a broker or dealer unless he conducts the business of selling securities. This demands continuing activity although it need not be the principle business of the person concerned. 69 Am Jr. 2d. Secured Transactions §188.

It seems fairly obvious then that a real estate agent, not in the business of selling securities could sell a private individual's limited partnership in the [REDACTED] without violation of Idaho's Security Laws if this is not a regular part of their real estate business. I will await your reply.

Yours very truly

[REDACTED]